

VZCZCXRO6926  
RR RUEHCHI RUEHDT RUEHHM  
DE RUEHJA #2407/01 2430717  
ZNR UUUUU ZZH  
R 310717Z AUG 07  
FM AMEMBASSY JAKARTA  
TO RUEHC/SECSTATE WASHDC 6028  
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUEHKO/AMEMBASSY TOKYO 0719  
RUEHBJ/AMEMBASSY BEIJING 4257  
RUEHBY/AMEMBASSY CANBERRA 1085  
RUEHUL/AMEMBASSY SEOUL 4153  
RUCNDT/USMISSION USUN NEW YORK 0661

UNCLAS SECTION 01 OF 03 JAKARTA 002407

SIPDIS

SIPDIS  
SENSITIVE

DEPT FOR IO, OES/EGC, OES/IET AND EAP/MTS  
TREASURY FOR TFCA - BERG  
WHITE HOUSE FOR CEQ - James Connaughton

E.O. 12598: N/A

TAGS: [SENV](#) [KGHG](#) [ECON](#) [TBIO](#) [ENRG](#) [ID](#)

SUBJECT: US-INDONESIA ENERGY SECURITY AND CLIMATE CHANGE  
CONSULTATIONS

JAKARTA 00002407 001.2 OF 003

11. (SBU) Summary. White House Council on Environmental Quality (CEQ) Chairman James Connaughton and U.S. Senior Climate Negotiator Harlan Watson discussed energy security and climate change strategy with senior Government of Indonesia (GOI) officials, NGOs and donors during a series of meetings on August 15-16 in Jakarta. All interlocutors appreciated the high-level visit and hoped that the U.S. would play an active role to make the December Conference of Parties 13 (COP 13) in Bali a success. The GOI and the U.S. agreed on the importance of using the September 27-28 Major Economies Conference in Washington to focus on a sectoral approach to improving energy security and reducing greenhouse gases. The GOI stressed the need to dovetail the Major Economies Conference process into COP 13. NGOs and donors urged strong USG attention to incentives such as carbon trading to help preserve Indonesia's rainforests. GOI officials also briefed Connaughton on their biofuel development plans. During a meeting on August 15, United Nations Framework Convention for Climate Change (UNFCCC) Executive Secretary Yvo De Boer and Connaughton and Watson compared their planning assumptions and concerns for COP 13. End Summary.

-----  
US Message: Energy Security and Climate Change Agenda  
-----

12. (U) Throughout the visit, Chairman Connaughton outlined the U.S. approach to the Major Economies Process. He noted that the September 27-28 conference is the first in a series of (likely five) meetings pursuant to the President's May 31 initiative for a new international framework for climate change. The objective for the September meeting is to seek agreement on the process by which the major economies would agree on a post 2012 framework. The U.S. is asking that countries send delegations who can address the environmental, energy security and economic aspects of climate change. The U.S. delegation, which will be led by Chairman Connaughton, will include Under Secretary Dobriansky and senior representatives from the Department of Energy and Treasury.

13. (U) Chairman Connaughton said that countries invited to the meeting would prepare reports on their domestic policy and energy situations that would likely include binding commitments at the national level - a potentially more effective approach than binding but unenforceable multilateral outcomes. Based on a review of the respective country portfolios, the delegations would identify the highest priority sectors for action plans. For example, coal,

transportation, and land use/forestry are the three most important sectors affecting climate change. COP 13 in Bali should also focus on discussions within these priority sectors.

14. (U) Connaughton explained that Indonesia is at the center of the climate change debate and a key international player that also happens to be host to COP 13. Indonesia is both a petroleum producer and consumer, has extensive forests and coral reef assets, possesses expanding biofuel and agricultural sectors, and is a major developing economy. Connaughton echoed this theme during press events with Tempo (Indonesia's leading weekly magazine), Metro TV, Associated Press and Suara Pembaruan (an Indonesian newspaper).

-----  
Presidential Advisor: Coral Reefs and Forestry Concerns  
-----

15. (SBU) GOI Presidential Advisor Dino Djalal told Connaughton that the President Susilo Bambang Yudhoyono (SBY) had received President Bush's invitation for the Major Economies Meeting. The GOI supports the process and is preparing its official response to the invitation. Indonesia must balance its economic development with environmental concerns and has particular interest in expanding biofuels, protecting coral reefs and seeking financial mechanisms (such as carbon trading) to protect rainforests. Djalal also presented Connaughton with a letter from President SBY to President Bush concerning the impact of climate change on coral reefs. The letter seeks U.S. support for a new multilateral partnership called the Coral Triangle Initiative (CTI). President SBY hopes to discuss the CTI at APEC in September and raise it formally at COP 13. Djalal also noted that he plans to accompany President SBY to the September 24 climate change meeting, a side event of the 62nd UN General Assembly.

16. (SBU) Connaughton reported that President Bush supports inclusion of coral reefs within the climate change agenda and that the U.S.

JAKARTA 00002407 002.2 OF 003

will be including such protection under the Tropical Forest Conservation Act. The U.S. also recognizes that forestry and land use are an important part of the sustainable development and climate change agenda and require careful attention. However, the global impact of current carbon trading mechanisms such as the Clean Development Mechanism (CDM) contains perverse incentives for entrepreneurs to increase emissions in exchange for CDM compensation.

-----  
Environment and Forestry Ministries Concerns  
-----

17. (SBU) During a meeting with senior Ministry of Environment (MOE) officials, Minister Rachmat Witoelar thanked Connaughton for U.S. leadership on convening the major economies on climate change. Witoelar will chair COP 13 and Emil Salim, Presidential Advisor on Environment, will lead the GOI delegation. Witoelar reported that the GOI is now formulating a national plan of action on climate change but will adjust the Indonesian plan in the context of other national action plans. Witoelar stressed the importance of staying in close communication on all climate change issues and dovetailing the Major Economies Process into COP 13 in order to make both successful. Witoelar also stressed coral reef and marine conservation issues. Connaughton offered to send to MOE information about U.S. marine habitat and fish stock restoration programs.

18. (SBU) Connaughton also solicited the views of Ministry of Forestry officials on how the U.S. could assist Indonesia on illegal logging and sustainable forest management. The officials appreciated U.S. assistance to date, and expressed optimism that these issues would be an important part of the COP 13 discussions.

19. (SBU) During a dinner discussion with key GOI officials, Emil Salim emphasized the importance of identifying indicators of success for the COP 13 so that the meetings can be planned accordingly. Salim also stressed the need for addressing deforestation and sustainable forestry and stressed the urgency of addressing climate

change immediately; he claimed that 2,000 Indonesian islands will likely be submerged within 20 years as a result of global warming.

-----  
NGOs and Donor Perspectives: Climate Change Challenges  
-----

¶10. (SBU) During meetings with NGO and donor representatives, participants highlighted the challenge in Indonesia of addressing climate change adaptation (including disaster preparedness) and deforestation. One NGO representative explained that the GOI has begun to focus more on adaptation, adding that, for example, the Ministry of Agriculture has assigned a team to assess the agriculture industry's technical capabilities to deal with the effects of climate change. Donors referred to other challenges, including a lack of statistics on climate change. Donors added that climate change adaptation and disaster preparedness are key focus areas and proposed that the international community develop a private-public partnership to finance disaster insurance for developing countries, with premiums set based on each country's disaster preparedness level.

¶11. (SBU) Participants uniformly saw value in carbon funds for preventing deforestation, pointing to a lack of incentives for forest conservation. They noted, however, that questions about forest land ownership and to whom these funds would be paid currently limit their feasibility. Meeting participants agreed that most timber is harvested for products other than fuel but noted that increasing demand for biofuel development has led to an increase in deforestation to clear space for oil-palm plantations.

¶12. (SBU) Both NGOs and donors emphasized the importance of balancing energy needs and biofuel development with environmental concerns. Donor representatives noted that the GOI is trying to address growing energy demand by investing in both new coal plants and biofuel development, and requires more international assistance to combat deforestation and address energy demand. They noted the potential for Indonesia to develop nuclear energy and adopt clean coal technology. Both the World Bank and Asian Development Bank (ADB) representatives noted that the two institutions do not consider nuclear energy projects, but are starting to consider clean coal projects based on increasing member country requests to

JAKARTA 00002407 003 OF 003

research the economic and environmental impacts of clean coal.

-----  
Biofuel Development in Indonesia  
-----

¶13. (U) Indonesia is pursuing policies to increase production of biodiesel to 20 percent of total consumption by 2025. According to members of the Indonesian National Biofuel Development Team (NBDT), this is part of an overall plan to increase biofuel use to 22.26 million KL -- or 5 percent of Indonesia's total energy mix -- by ¶2025. NBDT Chief Executive Alhilal Hamdi dismissed concerns about the environmental impact of oil-palm plantation development, arguing that total acreage under cultivation is relatively small and growth will be in already non-forested areas. He said that Indonesia and Malaysia are working to create a certification standard for sustainable oil-palm production, and that they are considering a public relations campaign later this year to address the negative publicity about oil-palm. Hamdi highlighted interest in developing genetically modified jatropha seed as a biofuel source, and welcomed U.S. cooperation in this effort. Connaughton affirmed the importance of establishing standards and setting the right blends of transportation fuel to ensure the long-term success of biofuel policy.

-----  
UNFCCC: Connecting September Conference to COP 13  
-----

¶14. (SBU) At a side meeting on August 15, UNFCCC Executive Secretary Yvo De Boer briefed Connaughton on his consultations with various parties concerning COP 13. De Boer noted that GOI preparations are

proceeding well, and that the GOI is also enthusiastic about hosting a trade ministers meeting at COP 13, in addition to the planned finance ministers meeting. They both concurred that a new climate change agreement should consider options besides the CDM, and that all parties need to move away from the notion that cap and trade mechanisms are the only available tools. Connaughton also cautioned against further complicating COP 13 discussions by bringing in trade issues.

¶15. (SBU) Connaughton described to De Boer how the September Major Economies conference would tie into COP 13. De Boer responded that President Bush's climate change initiative was "significant" and showed U.S. leadership. He conveyed that the Secretary General has not yet decided whether the UNFCCC, U.N. Environmental Programme, or Department of Economic and Social Affairs will represent the U.N. at the conference. Connaughton and De Boer agreed on the importance of clearly linking the September conference to the UNFCCC, in order to overcome the suspicion that the September conference and follow-on events are separate from the UNFCCC process. Connaughton solicited advice on how best to portray the conference, and De Boer suggested using the Secretary General's phrase of "advance negotiations" (rather than "launch") to allay suspicions that this will be a deal between the U.S. and its industrialized-country peers.

¶16. (SBU) Appreciating the U.S. focus on national commitments under the Major Economies Process, De Boer asked that the U.S. clearly highlight the links to adaptation, mitigation, technology and finance in order to assuage the concerns of developing countries. He noted that the Secretary General's high-level meeting on climate change on September 24 will focus on these four areas. De Boer and Connaughton emphasized the importance of being flexible and keeping all options open, and promised to consult closely in the run up to the September conference and Bali.

HUME